

City of Trenton, Michigan

Financial Report with Supplemental Information June 30, 2003

City of Trenton, Michigan

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Trenton, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Trenton, Michigan as of and for the year ended June 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Trenton, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Trenton, Michigan as of June 30, 2003 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedule of the General Fund and the pension system schedule of funding progress and employer contributions identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

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To the Honorable Mayor and
Members of City Council
City of Trenton, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Trenton, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2003 on our consideration of the City of Trenton, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 14, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of July 1, 2002.

Plante & Moran, PLLC

October 29, 2003

City of Trenton, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the City of Trenton, Michigan's financial performance provide an overview of the City's financial activities for the fiscal year ended June 30, 2003. Please read it in conjunction with the City's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2003:

- The City's General Fund budget of \$19,047,991 was exceeded by \$75,000 in spite of a \$216,000 cut in our second largest revenue source (State-shared revenue) and less than anticipated interest income. Charges for services, licenses, and permits and other income were able to offset these losses. Combined with fiscal constraint and change in health care service providers, the City experienced a \$748,000 favorable variance.
- Total net assets related to the City's governmental activities increased by approximately \$3,067,000. Total net assets (governmental and business-type) increased by approximately \$4,929,000.
- The City continued its long-term investment in the sewer infrastructure and downtown area by issuing \$10,325,000 of State Revolving Fund General Obligation Limited Tax Bonds, and approving \$920,000 of general obligation bonds for the DDA to be issued in fiscal 2004.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

City of Trenton, Michigan

Management's Discussion and Analysis (Continued)

The City as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2003 (in thousands of dollars):

TABLE I

	Governmental Activities	Business-type Activities	Total
Assets			
Current assets	\$ 18,138	\$ 3,031	\$ 21,169
Noncurrent assets	16,337	68,051	84,388
Total assets	34,475	71,082	105,557
Liabilities			
Current liabilities	3,493	4,419	7,913
Long-term liabilities	5,100	47,748	52,849
Total liabilities	8,593	52,167	60,762
Net Assets			
Invested in capital assets - Net of related debt	12,561	11,671	24,233
Restricted	1,409	4,452	5,861
Unrestricted	11,912	2,791	14,703
Total net assets	<u>\$ 25,882</u>	<u>\$ 18,915</u>	<u>\$ 44,797</u>

The City's combined net assets increased 12 percent from a year ago, increasing from approximately \$39,868,000 to approximately \$44,797,000. As we look at governmental activities separately from business-type activities, we can see that the governmental activities experienced an increase of approximately \$3,067,000 (a 13 percent increase in net assets).

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations - increased by approximately \$1,067,000 for governmental activities. This represents an increase of 10 percent in net assets. This is mostly attributed to the addition of general fixed assets, which were not required before adoption of GASB No. 34.

The above table in condensed format is required to be shown in comparative format in fiscal year 2004.

City of Trenton, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets during the year ended June 30, 2003 (in thousands of dollars):

TABLE 2

	Governmental Activities	Business-type Activities	Total
Revenue			
Program revenue:			
Charges for services	\$ 2,376	\$ 7,422	\$ 9,798
Operating grants and contributions	1,170	-	1,170
Capital grants and contributions	132	356	488
General revenue:			
Property taxes	15,135	1,690	16,825
State-shared revenue	2,532	-	2,532
Unrestricted investment earnings	310	63	373
Transfers and other revenue	(222)	144	(78)
Total revenue	21,433	9,675	31,108
Program Expenses			
General government	4,282	-	4,282
Public safety	6,820	-	6,820
Public works	4,715	-	4,715
Community and economic development	424	-	424
Recreation and culture	1,234	-	1,234
Special projects	706	-	706
Interest on long-term debt	185	-	185
Enterprise	-	7,813	7,813
Total program expenses	18,366	7,813	26,179
Change in Net Assets	\$ 3,067	\$ 1,862	\$ 4,929

The above table in condensed format is required to be shown in comparative format in fiscal year 2004.

City of Trenton, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

The City's total governmental revenues decreased approximately \$2.4 million from last year's budget. Changes in the way the City budgeted operating transfers and charges for services accounted for most of the decrease. Again, due to the new reporting system, it is difficult to compare total program expenses or net change in assets because of items that were not incorporated in the 2002 financial report. The City closely monitored its spending in health care and prescription costs, which resulted in some savings. Also, property and liability insurance carriers were changed to help reduce expenses.

Business-type Activities

The City's business-type activities consist of the Water and Sewer Fund and Kennedy Recreation Center. We provide water to residents from the Detroit Water System. We provide sewage treatment through a City-owned and operated sewage treatment plant. In fiscal year 2003, it was a drier-than-average year, which resulted in relatively high usage in the water system. In addition, the City's water loss was very low. These combined two factors resulted in an operating income, compared to operating losses in each of the last three years. Although the ice arena posted an operating loss of approximately \$298,000, this is mostly resulting from depreciation charges of approximately \$542,000. The City may refinance the Building Authority Bonds to reduce its debt service requirements.

The City's Funds

Our analysis of the City's major funds begins on page 11 following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as property tax millages. The City's major funds for 2003 include the General Fund, Recreation Fund, and the Water and Sewer Fund.

The General Fund pays for most of the City's governmental services. The most significant are police and fire, which incurred expenses of approximately \$7,619,000, or 39 percent of total governmental expenditures in 2003. General government is the next highest at approximately \$3,259,000, or 17 percent of total governmental expenditures. These services are almost solely supported by the City's operating millage.

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account events during the year. A significant change related to prescription drug coverage, combined with less than anticipated health care costs, contributed to the increase in the General Fund's fund balance. Building activity continued to increase, with the addition of projects like Talon and Pinehurst. City departments' overall spending resulted in a favorable variance of approximately \$748,000. This allowed the General Fund balance to increase from \$8,007,534 to \$8,714,099 at June 30, 2003.

City of Trenton, Michigan

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

At the end of the 2003 fiscal year, the City had approximately \$77 million, net of accumulated depreciation, invested in a broad range of capital assets, including buildings, police and fire equipment, water and sewer lines, and the Kennedy Recreation Center. In addition, the City has obtained State Revolving Fund General Obligation Limited Tax Bonds totaling \$39,960,000 to fund a \$47,000,000 sewer construction and rehabilitation project. The City has also invested in a new remote metering system that will continue to reduce water loss and shorten billing time.

Economic Factors and Next Year's Budgets and Rates

The City was able to maintain property taxes at 21 mills for 2003. This was accomplished through personnel attrition and incorporation of one-time revenue items into the budget. Because of the limits of Proposal A, however, the City will need to monitor the budget very closely. The State-wide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Because some properties increase in value by less than inflation, the total taxable value for the City will grow less than inflation, before considering new property additions. With over 75 percent of General Fund revenues derived from property taxes, we must continue to monitor this closely.

As discussed above, now that the water fund is stable and the City has better data with the SCADA system, we anticipate water rate increases from the City of Detroit can be controlled. Also, a look-back credit from the Detroit Water Board coming in January 2004 should help offset any increase for fiscal year 2004.

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Controller's office.

City of Trenton, Michigan

Statement of Net Assets June 30, 2003

	Primary Government			
	Governmental	Business-type		Component Units
	Activities	Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 14,934,524	\$ 1,586,159	\$ 16,520,683	\$ 181,981
Receivables:				
Taxes	545,443	1,853	547,296	-
Customers	-	1,275,264	1,275,264	-
Other	205,088	-	205,088	-
Due from other governmental units	544,616	49,155	593,771	161,119
Inventories	169,779	118,489	288,268	-
Prepaid costs and other assets	1,738,266	-	1,738,266	-
Restricted assets (Note 4)	-	7,312,237	7,312,237	1,400,000
Capital assets - Net (Note 5)	16,336,899	60,738,469	77,075,368	-
Total assets	34,474,615	71,081,626	105,556,241	1,743,100
Liabilities				
Accounts payable	1,036,526	407,134	1,443,660	53,118
Accrued and other liabilities	641,637	150,176	791,813	2,700
Due to other governmental units	58,319	-	58,319	-
Current liabilities payable from restricted assets (Note 4)	-	2,858,757	2,858,757	-
Noncurrent liabilities (Note 7):				
Due within one year	1,756,878	1,002,403	2,759,281	46,829
Due in more than one year	5,099,480	47,748,289	52,847,769	1,466,770
Total liabilities	8,592,840	52,166,759	60,759,599	1,569,417
Net Assets				
Invested in capital assets - Net of related debt	12,561,409	11,670,094	24,231,503	-
Restricted:				
Major and local streets	1,225,130	-	1,225,130	-
Community development block Grant	30,505	-	30,505	-
Grant	23,341	-	23,341	-
Library	129,887	-	129,887	-
Capital expenditures	-	4,453,480	4,453,480	-
Unrestricted	11,911,503	2,791,293	14,702,796	173,683
Total net assets	\$ 25,881,775	\$ 18,914,867	\$ 44,796,642	\$ 173,683

City of Trenton, Michigan

		Program Revenues		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants and Contributions	and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 4,282,062	\$ 642,091	\$ 95,676	\$ -
Public safety	6,819,713	752,760	8,243	62,176
Public works	4,714,858	84,464	986,231	-
Health and welfare	310	-	-	-
Community and economic development	423,767	-	10,803	-
Recreation and culture	1,234,291	561,194	-	69,179
Special projects	706,384	335,693	69,309	-
Interest on long-term debt	185,258	-	-	-
Total governmental activities	18,366,643	2,376,202	1,170,262	131,355
Business-type activities:				
Water and sewer	5,657,780	6,017,447	-	-
Recreation	2,154,681	1,404,095	-	356,380
Total business-type activities	7,812,461	7,421,542	-	356,380
Total primary government	<u>\$ 26,179,104</u>	<u>\$ 9,797,744</u>	<u>\$ 1,170,262</u>	<u>\$ 487,735</u>
Component units:				
Downtown Development Authority	\$ 487,231	\$ -	\$ -	\$ -
Brownfield Redevelopment Authority	18,764	-	-	-
Total component units	<u>\$ 505,995</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State-shared revenues				
Unrestricted investment earnings				
Loss on sale of capital assets				
Miscellaneous				
Transfers - Net (Note 6)				
Total general revenues and transfers				
Change in Net Assets				
Net Assets - Beginning of year - As restated (Note 14)				
Net Assets - End of year				

Statement of Activities
Year Ended June 30, 2003

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (3,544,295)	\$ -	\$ (3,544,295)	\$ -
(5,996,534)	-	(5,996,534)	-
(3,644,163)	-	(3,644,163)	-
(310)	-	(310)	-
(412,964)	-	(412,964)	-
(603,918)	-	(603,918)	-
(301,382)	-	(301,382)	-
(185,258)	-	(185,258)	-
(14,688,824)	-	(14,688,824)	-
-	359,667	359,667	-
-	(394,206)	(394,206)	-
-	(34,539)	(34,539)	-
(14,688,824)	(34,539)	(14,723,363)	-
-	-	-	(487,231)
-	-	-	(18,764)
-	-	-	(505,995)
15,134,881	1,689,907	16,824,788	409,213
2,532,267	-	2,532,267	-
310,169	62,976	373,145	29,778
(265,761)	(9,039)	(274,800)	-
196,680	-	196,680	3,126
(152,865)	152,865	-	-
17,755,371	1,896,709	19,652,080	442,117
3,066,547	1,862,170	4,928,717	(63,878)
22,815,228	17,052,697	39,867,925	237,561
\$ 25,881,775	\$ 18,914,867	\$ 44,796,642	\$ 173,683

City of Trenton, Michigan

Governmental Funds Balance Sheet June 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and investments	\$ 8,920	\$ -	\$ 8,920
Receivables:			
Customers	544,288	1,155	545,443
Other	64,026	137,494	201,520
Prepaid costs and other assets	3,878	-	3,878
Due from other governmental units	357,601	187,015	544,616
Due from other funds	7,456,991	4,273,037	11,730,028
Inventories	85,776	-	85,776
Long-term advances	1,135,000	-	1,135,000
Total assets	<u>\$ 9,656,480</u>	<u>\$ 4,598,701</u>	<u>\$ 14,255,181</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 607,215	\$ 237,149	\$ 844,364
Accrued and other liabilities	276,847	5,074	281,921
Due to other governmental units	58,319	-	58,319
Due to other funds	-	29,740	29,740
Deferred revenue	-	79,409	79,409
Total liabilities	942,381	351,372	1,293,753
Fund Balances			
Reserved for:			
Long-term advances	1,135,000	-	1,135,000
Inventory	85,776	-	85,776
Unreserved:			
General Fund (Note 1)	7,493,323	-	7,493,323
Special Revenue Funds	-	3,032,592	3,032,592
Capital Projects Fund	-	1,214,737	1,214,737
Total fund balances	8,714,099	4,247,329	12,961,428
Total liabilities and fund balances	<u>\$ 9,656,480</u>	<u>\$ 4,598,701</u>	<u>\$ 14,255,181</u>
Fund Balance - Total Governmental Funds			\$ 12,961,428

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	13,765,185
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(5,612,839)
Receivables not collected within 60 days are expected to pay for current year's expenditures	79,409
Compensated absences and uninsured claims are included as a liability in governmental activities	(1,135,901)
Internal Service Funds are included as part of governmental activities	5,824,493
Net Assets of Governmental Activities	<u>\$ 25,881,775</u>

City of Trenton, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
Revenue			
Property taxes	\$ 14,483,312	\$ 651,569	\$ 15,134,881
Licenses and permits	380,888	-	380,888
Federal grants	-	95,676	95,676
State sources	2,521,737	1,066,070	3,587,807
Charges for services	635,946	-	635,946
Fines and forfeitures	380,024	-	380,024
Interest income	256,172	40,453	296,625
Other	307,232	1,021,110	1,328,342
	<u>18,965,311</u>	<u>2,874,878</u>	<u>21,840,189</u>
Total revenue			
Expenditures			
Current:			
General government	3,259,174	-	3,259,174
Public safety	7,619,012	-	7,619,012
Public works	3,026,825	1,080,455	4,107,280
Health and welfare	310	-	310
Recreation and culture	568,046	410,795	978,841
Other	1,877,096	558,523	2,435,619
Capital outlay	-	457,571	457,571
Debt service	217,384	486,486	703,870
	<u>16,567,847</u>	<u>2,993,830</u>	<u>19,561,677</u>
Total expenditures			
Excess of Revenue Over (Under) Expenditures	2,397,464	(118,952)	2,278,512
Other Financing Sources (Uses)			
Transfers in	157,720	926,385	1,084,105
Transfers out	(1,848,619)	(369,617)	(2,218,236)
	<u>(1,690,899)</u>	<u>556,768</u>	<u>(1,134,131)</u>
Total other financing sources (uses)			
Net Change in Fund Balances	706,565	437,816	1,144,381
Fund Balances - Beginning of year - As restated (Note 14)	8,007,534	3,809,513	11,817,047
Fund Balances - End of year	<u>\$ 8,714,099</u>	<u>\$ 4,247,329</u>	<u>\$ 12,961,428</u>

City of Trenton, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2003

Net Change in Fund Balances - Total Governmental Funds \$ 1,144,381

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation 1,145,677

Expense reported in statement of activities for loss on disposition of assets not reported in governmental funds (385,761)

Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds 79,409

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 543,886

Increase in accumulated severance pay, as well as estimated general liability claims, is recorded when earned in the statement of activities (232,124)

Internal Service Funds are also included as governmental activities 771,079

Change in Net Assets of Governmental Activities \$ 3,066,547

City of Trenton, Michigan

Proprietary Funds Statement of Net Assets June 30, 2003

	Major Business-type Activities			Governmental Activities
	Enterprise - Water and Sewer	Enterprise - Recreation	Total Enterprise Funds	Internal Service Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 150	\$ 8,000	\$ 8,150	\$ 50
Receivables:				
Taxes	1,853	-	1,853	-
Customers	1,262,412	12,853	1,275,265	-
Prepaid costs and other assets	-	-	-	602,954
Due from other funds	2,778,344	-	2,778,344	3,225,267
Due from other governmental units	49,155	-	49,155	-
Inventories	118,489	-	118,489	84,003
Total current assets	4,210,403	20,853	4,231,256	3,912,274
Noncurrent assets:				
Restricted assets (Note 4)	7,312,237	-	7,312,237	-
Capital assets (Note 5)	50,724,615	10,013,854	60,738,469	2,571,714
Total noncurrent assets	58,036,852	10,013,854	68,050,706	2,571,714
Total assets	62,247,255	10,034,707	72,281,962	6,483,988
Liabilities				
Current liabilities:				
Accounts payable	349,020	58,114	407,134	192,162
Due to other funds	1,015,580	184,756	1,200,336	-
Accrued and other liabilities	42,738	107,438	150,176	396,309
Current liabilities payable from restricted assets (Note 4)	2,858,757	-	2,858,757	-
Current portion of long-term debt (Note 7)	724,458	277,945	1,002,403	28,846
Total current liabilities	4,990,553	628,253	5,618,806	617,317
Noncurrent liabilities:				
Provision for compensated absences (Note 7)	227,322	-	227,322	42,178
Long-term debt - Net of current portion (Note 7)	38,898,912	8,622,055	47,520,967	-
Total noncurrent liabilities	39,126,234	8,622,055	47,748,289	42,178
Total liabilities	44,116,787	9,250,308	53,367,095	659,495
Net Assets				
Investment in capital assets - Net of related debt	10,556,240	1,113,854	11,670,094	2,571,714
Restricted for capital expenditures	4,453,480	-	4,453,480	-
Reserved for postretirement health care fund	-	-	-	426,266
Unrestricted	3,120,748	(329,455)	2,791,293	2,826,513
Total net assets	<u>\$ 18,130,468</u>	<u>\$ 784,399</u>	<u>\$ 18,914,867</u>	<u>\$ 5,824,493</u>

The Notes to Financial Statements are an
Integral Part of this Statement.

City of Trenton, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2003

	Major Business-type Activities			Governmental Activities
	Enterprise - Water and Sewer	Enterprise - Recreation	Total Enterprise Funds	Internal Service Funds
Operating Revenue				
Sale of water	\$ 2,426,281	\$ -	\$ 2,426,281	\$ -
Sewage disposal charges	3,417,854	-	3,417,854	-
Charges for services	-	1,404,095	1,404,095	3,967,911
Other charges	173,312	-	173,312	11,642
Total operating revenue	6,017,447	1,404,095	7,421,542	3,979,553
Operating Expenses				
Cost of water	911,887	-	911,887	-
Cost of sewage disposal	1,469,304	-	1,469,304	-
Transmission and distribution	939,629	-	939,629	-
Cost of recreation activity	-	1,160,324	1,160,324	-
Depreciation	673,380	541,911	1,215,291	430,191
General and administrative	1,258,721	-	1,258,721	952,755
Insurance, claims, and other	-	-	-	2,973,237
Total operating expenses	5,252,921	1,702,235	6,955,156	4,356,183
Operating Income (Loss)	764,526	(298,140)	466,386	(376,630)
Nonoperating Revenue (Expenses)				
Property taxes	1,689,907	-	1,689,907	-
Interest and other income (expenses) - Net	(342,110)	(452,219)	(794,329)	52,962
Gain (loss) on sale of capital assets	-	(9,039)	(9,039)	8,018
Income (Loss) - Before contributions	2,112,323	(759,398)	1,352,925	(315,650)
Capital Contributions - Assets donated	-	356,380	356,380	105,463
Transfers from (to) Other Funds	(50,000)	202,865	152,865	981,266
Change in Net Assets	2,062,323	(200,153)	1,862,170	771,079
Net Assets - Beginning of year	16,068,145	984,552	17,052,697	5,053,414
Net Assets - End of year	<u>\$ 18,130,468</u>	<u>\$ 784,399</u>	<u>\$ 18,914,867</u>	<u>\$ 5,824,493</u>

City of Trenton, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2003

	Major Business-type Activities			Governmental Activities
	Enterprise - Water and Sewer	Enterprise - Recreation	Total Enterprise Funds	Internal Service Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 6,255,523	\$ 1,438,374	\$ 7,693,897	\$ 1,027,911
Charges for services	-	-	-	2,940,000
Payments to suppliers	(2,677,675)	(705,944)	(3,383,619)	(556,832)
Claims paid	-	-	-	(3,658,247)
Payments to employees	(2,265,619)	(406,847)	(2,672,466)	(455,083)
Other receipts	-	-	-	11,642
Net cash provided by (used in) operating activities	1,312,229	325,583	1,637,812	(690,609)
Cash Flows from Investing Activities				
Interest received on investments and other assets	62,749	227	62,976	52,962
Cash (paid to) received from General Cash Fund	(630,070)	30,772	(599,298)	(62,902)
Net cash (used in) provided by investing activities	(567,321)	30,999	(536,322)	(9,940)
Cash Flows from Noncapital Financing Activities -				
Operating transfers (out) in - Net	(50,000)	202,865	152,865	981,266
Cash Flows from Capital and Related Financing Activities				
Interest paid on long-term debt - Net of capitalized interest	(404,859)	(452,446)	(857,305)	-
Principal payments on long-term debt	(1,193,825)	(100,000)	(1,293,825)	-
Proceeds from issuance and drawdowns of long-term debt*	8,003,322	-	8,003,322	-
Purchase of capital assets	(8,740,298)	(4,001)	(8,744,299)	(305,147)
Proceeds from sale of assets	-	-	-	24,430
Property taxes	1,640,752	-	1,640,752	-
Net cash used in capital and related financing activities	(694,908)	(556,447)	(1,251,355)	(280,717)
Net Change in Cash and Cash Equivalents	-	3,000	3,000	-
Cash and Cash Equivalents - Beginning of year	150	5,000	5,150	50
Cash and Cash Equivalents - End of year	\$ 150	\$ 8,000	\$ 8,150	\$ 50
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ 764,526	\$ (298,140)	\$ 466,386	\$ (376,630)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	673,380	541,911	1,215,291	430,191
Changes in assets and liabilities:				
Receivables	238,076	34,279	272,355	-
Prepaid costs and other assets	-	-	-	(602,954)
Inventory	2,842	-	2,842	-
Accounts payable	(462,179)	24,757	(437,422)	(170,675)
Accrued and other liabilities	95,584	22,776	118,360	29,459
Net cash provided by (used in) operating activities	\$ 1,312,229	\$ 325,583	\$ 1,637,812	\$ (690,609)

*The drawdowns of long-term debt relate to debt obligations initiated and recognized in the current as well as prior years.

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2003, other funds of the City purchased vehicles and equipment totaling \$105,463 and donated them to the Motor Vehicle Pool Fund. During the year ended June 30, 2003, assets totaling \$356,380 were donated to the Recreation Fund from the Governmental Funds. Accounts payable at June 30, 2003 of \$2,210,382 in the Water and Sewer Fund represents construction in progress and has been excluded from the purchase of capital assets. Due from other governmental units at June 30, 2003 of \$49,155 in the Water and Sewer Fund represents a receivable related to collection of property taxes. In total, the Water and Sewer Fund has obtained financing of approximately \$39,960,000, of which approximately \$8,003,000 and \$26,292,000 was drawn down in 2003 and in prior years, respectively. The remaining \$5,665,000 will be drawn down in future years.

City of Trenton, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2003

	Pension Trust Fund	Agency Funds
Assets		
Cash and cash equivalents (Note 3)	\$ 802,972	\$ 168,642
Investments (Note 3):		
U.S. government and agency securities	3,022,407	-
Corporate stocks	21,612,541	-
Corporate bonds	5,208,544	-
Foreign equity mutual funds	1,996,920	-
U.S. agency mortgage pools	457,651	-
Bond mutual fund	2,933,256	-
Limited partnership interest	1,043,140	-
Real estate (REIT) fund interests	2,752,122	-
Accrued interest	152,032	-
	<u>39,981,585</u>	<u>\$ 168,642</u>
Liabilities		
Accrued and other liabilities	-	\$ 65,427
Due to other governmental units	-	1,589
Cash bonds and deposits	-	101,626
	<u>-</u>	<u>\$ 168,642</u>
Net Assets - Held in trust for pension	<u>\$ 39,981,585</u>	

City of Trenton, Michigan

Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2003

	Pension Trust Fund
Additions	
Investment income:	
Interest and dividends	\$ 1,444,582
Net decrease in fair value of investments	(554,529)
Less investment expenses	<u>(219,479)</u>
Net investment income	670,574
Contributions:	
Employer	695,508
Employee	<u>214,821</u>
Total contributions	<u>910,329</u>
Total additions - Net of depreciation in fair value of investments	1,580,903
Deductions	
Benefit payments	2,500,818
Administrative expenses	<u>21,726</u>
Total deductions	<u>2,522,544</u>
Net Decrease	(941,641)
Net Assets Held in Trust for Pension and Other Employee Benefits	
Beginning of year	<u>40,923,226</u>
End of year	<u><u>\$ 39,981,585</u></u>

City of Trenton, Michigan

Component Units Statement of Net Assets (Deficit) June 30, 2003

	Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority	Totals
Assets				
Cash and investments	\$ 191,674	\$ 612	\$ -	\$ 192,286
Due from other governmental units	139,664	-	21,455	161,119
Restricted assets	<u>1,400,000</u>	<u>-</u>	<u>-</u>	<u>1,400,000</u>
Total assets	1,731,338	612	21,455	1,753,405
Liabilities				
Accounts payable	30,147	-	22,971	53,118
Due to primary government	-	-	10,305	10,305
Accrued liabilities	-	-	2,700	2,700
Noncurrent liabilities (Note 7):				
Due within one year	25,000	-	21,829	46,829
Due in more than one year	<u>1,375,000</u>	<u>-</u>	<u>91,770</u>	<u>1,466,770</u>
Total liabilities	<u>1,430,147</u>	<u>-</u>	<u>149,575</u>	<u>1,579,722</u>
Net Assets (Deficit) - Unrestricted	<u>\$ 301,191</u>	<u>\$ 612</u>	<u>\$ (128,120)</u>	<u>\$ 173,683</u>

City of Trenton, Michigan

		Program Revenues		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants and	and
			Contributions	Contributions
Downtown Development Authority -				
Special projects	\$ 487,231	\$ -	\$ -	\$ -
Brownfield Redevelopment Authority -				
Special projects	18,764	-	-	-
Total governmental activities	<u>\$ 505,995</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Property taxes

Interest

Miscellaneous revenue

Total general revenues

Change in Net Assets

Net Assets (Deficit) - July 1, 2002 - As restated (Note 14)

Net Assets (Deficit) - June 30, 2003

**Component Units
Statement of Activities
Year Ended June 30, 2003**

Net (Expense) Revenue and Changes in Net Assets (Deficit)			
Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority	Total
\$ (487,231)	\$ -	\$ -	\$ (487,231)
-	-	(18,764)	(18,764)
(487,231)	-	(18,764)	(505,995)
366,327	-	42,886	409,213
29,778	-	-	29,778
3,126	-	-	3,126
399,231	-	42,886	442,117
(88,000)	-	24,122	(63,878)
389,191	612	(152,242)	237,561
\$ 301,191	\$ 612	\$ (128,120)	\$ 173,683

Note I - Summary of Significant Accounting Policies

The accounting policies of the City of Trenton (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City:

Reporting Entity

The City is governed by an elected mayor and six-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

The City of Trenton Building Authority is governed by a board that is appointed by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government by blending it with the activities of the Recreation Fund because its primary purpose is to finance and construct the City's public buildings, including the Kennedy Recreation Center.

Discretely Presented Component Units - The following component units are reported within the component unit column in the combined financial statements. They are reported in a separate column to emphasize that they are legally separate from the City.

The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The Corporation's governing body, which consists of nine individuals, is selected by the City Council.

The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the district. The Authority's governing body consists of the mayor and 11 individuals appointed by the mayor, subject to approval by the City Council.

Note I - Summary of Significant Accounting Policies (Continued)

The Brownfield Redevelopment Authority was created to facilitate the long-term redevelopment and remediation of environmentally contaminated sites within the City. The Authority's governing body consists of the mayor and six individuals appointed by the mayor, subject to approval by the City Council.

Major Taxpayers

Approximately 33 percent of property tax revenue is from two companies with properties in the City of Trenton, and approximately 21 percent of water, sewer, and industrial charge revenue is from two businesses located in the City.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, State-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the City.

The City reports the General Fund as a major governmental fund. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

- The Water and Sewer Fund accounts for the activities of the water distribution and sewage collection system.
- The Recreation Fund accounts for activities of the Recreation Center.

Note 1 - Summary of Significant Accounting Policies (Continued)

Additionally, the City reports the following fund types:

- The Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost reimbursement basis. Included in this category are the Motor Vehicle Pool Fund and the Self-insurance Fund.
- The Pension Retirement Trust Fund accounts for the activities of the police and fire employees retirement system, which accumulates resources for pension benefit payments to qualified police and fire employees.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Note 1 - Summary of Significant Accounting Policies (Continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering foods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments - Investments are stated at fair value, based on quoted market prices. Investments that do not have an established market are reported at estimated fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. These taxes are due on August 31 with the final collection date of February 28 before they are added to the county tax rolls.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis, which approximates market value. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, approximately \$344,000 of interest expense was capitalized as part of the cost of assets under construction.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Roads and sidewalks	20 to 30 years
Water and sewer distribution systems	50 to 66 years
Water and sewer treatment facilities	50 years
Buildings and building improvements	15 to 50 years
Machinery, equipment, and furniture	7 to 20 years

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation, sick, and personal pay is accrued when incurred in the government-wide and proprietary fund financial statements service with the City. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 1 - Summary of Significant Accounting Policies (Continued)

The following is a summary of the unreserved fund balances of the governmental funds with management's designations:

	<u>General Fund</u>
Designated:	
Equipment	\$ 1,000,000
Uninsured risks	1,000,000
Postretirement benefits	1,000,000
Severance pay	2,469,198
Future budget stabilization	600,000
Receivables	<u>608,313</u>
Total designated	6,677,511
Undesignated	<u>815,812</u>
Total unreserved	<u><u>\$ 7,493,323</u></u>

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - The annual budget is prepared by the City management and adopted by the City Council; subsequent amendments are approved by the City Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2003 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budgetary comparison schedule (non-GAAP budgetary basis) - General Fund included in required supplemental information is presented in greater detail than the accounting used in preparing the adopted budget. The General Fund budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law.

Note 2 - Stewardship, Compliance, and Accountability (Continued)

The City tracks the results of building department operations in the General Fund. In accordance with Michigan Public Act 245 of 1999, the City is required to maintain an accounting system that separately accumulates revenue and expenditures related to the building department function. As required under provisions of the Act, the City has adopted this accounting treatment. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Excess costs - Beginning of year	\$ (323,891)
Building permit revenue	192,049
Direct costs	<u>(371,057)</u>
Excess costs - End of year	<u>\$ (502,899)</u>

Fund Deficits - The S.M.I.L.E.S. Special Revenue Fund and the Brownfield Redevelopment Authority component unit had a deficit at year end. The deficit in the nonmajor S.M.I.L.E.S. Special Revenue Fund will be funded by the General Fund. In fiscal year 2004, this Special Revenue Fund will be eliminated and the activity will be accounted for in the General Fund. The Brownfield Redevelopment Authority component unit fund deficit will be funded primarily by property tax collections.

Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91 authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The City is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Police and Fire Retirement System is also authorized to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain State and local government obligations, and certain other specified investment vehicles.

City of Trenton, Michigan

Notes to Financial Statements June 30, 2003

Note 3 - Deposits and Investments (Continued)

The City of Trenton's deposits and investment policies are in accordance with statutory authority.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total Primary Government	Component Units
Cash and investments	\$ 14,934,524	\$ 1,586,159	\$ 39,998,195	\$ 56,518,878	\$ 181,981
Restricted assets	-	1,586,601	-	1,586,601	1,400,000
Total	\$ 14,934,524	\$ 3,172,760	\$ 39,998,195	\$ 58,105,479	\$ 1,581,981

The breakdown between deposits and investments for the City is as follows:

	Primary Government	Component Units
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 13,014,536	\$ 1,581,981
Investments in securities, mutual funds, and similar vehicles	45,073,823	-
Petty cash or cash on hand	17,120	-
Total	\$ 58,105,479	\$ 1,581,981

The bank balance of the City's deposits is \$14,702,043, of which approximately \$405,000 is covered by federal depository insurance and the remainder is uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Component Units

The cash and investments of the City's component units consist of bank deposits of \$1,581,981 at June 30, 2003. The deposits are administered by the City. The federal depository insurance pertains to all of the above deposits of the City; hence, the specific coverage pertaining to the component units' deposits, if any, is not determinable.

Note 3 - Deposits and Investments (Continued)

The City's investments are categorized below to give an indication of the level of risk assumed by the entity at June 30, 2003. Risk Category 1 includes those investments that meet any of the following criteria:

- a. Insured
- b. Registered
- c. Held by the City or its agent

Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the City's name. Category 3 includes investments held by:

- a. The counterparty
- b. The counterparty's trust department (or agent) but not in the City's name

At year end, the City's investment balances were categorized as follows:

	Category			Reported Amount (Fair Value)
	1	2	3	
Pension assets:				
U.S. government securities and agencies securities	\$ -	\$ 3,022,407	\$ -	\$ 3,022,407
Corporate bonds	-	5,208,544	-	5,208,544
Corporate stocks	-	21,612,541	-	21,612,541
Subtotal	<u>\$ -</u>	<u>\$ 29,843,492</u>	<u>\$ -</u>	29,843,492
Investments not subject to categorization:				
Nonpension funds' bank investment pools				5,244,269
Pension fund assets:				
Broker investment pool				802,972
Foreign equity mutual fund				1,996,920
U.S. agency mortgage pools				457,651
Bond mutual fund				2,933,256
Real estate-based investments:				
Limited partnership interest				1,043,140 *
Real estate (REIT) fund interests				<u>2,752,123 *</u>
Total investments not subject to categorization				<u>15,230,331</u>
Total investments				<u>\$ 45,073,823</u>

Note 3 - Deposits and Investments (Continued)

- * The market values of the limited partnership interest and \$1,345,930 of REIT fund interests are not readily determinable and the investments are recorded at estimated fair value.

Investments not subject to categorization are not evidenced by securities that exist in physical or book entry form. All external investment pools (U.S. agency mortgage pools, and bond and mutual funds) are registered with the SEC. The bank and broker investment pools are regulated by the Michigan Banking Act, and the fair value of the position in the pool is the same as the value of the pool shares.

The U.S. agency mortgage pools and approximately \$914,000 of U.S. government and agencies securities held by the Firemen and Policemen Retirement System at June 30, 2003 were collateralized mortgage obligations. These investments are usually not backed by the full faith and credit of the U.S. government, but are generally considered to offer modest credit risks. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.

Included in the Retirement System's corporate bonds at June 30, 2003 were asset-backed securities of approximately \$672,000. These securities are backed by credit card or other receivables and typically include credit enhancements in the form of overcollateralization, third-party letters of credit, seller recourse, insurance company guarantees, and/or senior subordinated structures. These securities are generally considered to offer moderate credit risk, but such risk varies depending on the type of asset being securitized and the extent and nature of the credit enhancement. Prepayment of these "pay through" securities could result in difficulty reinvesting the prepaid amounts in investments with comparable yields. From time to time, the bond funds may hold collateralized mortgage obligations, asset-backed securities, or similar investments.

Note 4 - Restricted Assets

Through fiscal year ended June 30, 2003, the City has obtained \$39,960,000 of General Obligation Limited Tax Bond financing for improvements to the City's sewer system pursuant to an Administrative Consent Order by the State of Michigan (see Note 13). The proceeds of these bonds are drawn down by the City as the funds are needed. The amount drawn down in excess of the related expenditure has been recorded as cash restricted for construction. Also included in restricted assets is the amount that has not been drawn down to date.

The Grosse Ile/Trenton Utility Bond restricted assets represent unspent bond proceeds that have been restricted for construction, water and sewer line replacement, and capital asset acquisitions, including unspent proceeds earning interest, from the obligation to the Grosse Ile/Trenton Utilities Authority.

The Water and Sewer Fund capital charges represent the portion of customer billings that the City intends to use for future capital expenditures in the Water and Sewer Fund.

The Debt Service restricted asset represents excess cash collected to the extent that property tax revenue exceeds annual debt service requirements of the State Revolving Fund General Obligation Limited Tax Bonds (see Note 8).

The Downtown Development Authority restricted asset represents cash that has been restricted for construction.

A summary of primary government and component unit restricted assets and current liabilities payable from restricted assets at June 30, 2003 follows:

	Primary Government					Component Unit
	Water and Sewer Fund					Downtown Development Authority
	Administrative Consent Order Construction	Grosse Ile/Trenton Utility Bonds	Capital Charges	Debt Service	Total Primary Government	
Cash	\$ -	\$ 467,264	\$ 470,962	\$ 648,375	\$ 1,586,601	\$ 1,400,000
Accounts receivable	5,725,636	-	-	-	5,725,636	-
Total restricted assets	<u>\$ 5,725,636</u>	<u>\$ 467,264</u>	<u>\$ 470,962</u>	<u>\$ 648,375</u>	<u>\$ 7,312,237</u>	<u>\$ 1,400,000</u>
Liabilities payable from restricted assets:						
Accounts payable	\$ 2,210,382	\$ -	\$ -	\$ -	\$ 2,210,382	\$ -
Current portion of long-term debt	-	-	-	648,375	648,375	-
Total liabilities payable from restricted assets	<u>\$ 2,210,382</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 648,375</u>	<u>\$ 2,858,757</u>	<u>\$ -</u>

City of Trenton, Michigan

Notes to Financial Statements June 30, 2003

Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance July 1, 2002	Reclassifications and Transfers	Additions	Disposals	Balance June 30, 2003
Governmental activities:					
Capital assets not being depreciated -					
Land	\$ 1,083,387	\$ -	\$ -	\$ -	\$ 1,083,387
Capital assets being depreciated:					
Land improvements	1,439,539	-	880,358	(140,771)	2,179,126
Roads and sidewalks	16,916,906	-	771,714	-	17,688,620
Buildings and improvements	8,956,754	(1,242,940)	83,058	(31,497)	7,765,375
Vehicles	4,487,744	-	391,347	(309,891)	4,569,200
Furniture and equipment	8,035,399	(120,621)	282,271	(1,321,269)	6,875,780
Subtotal	39,836,342	(1,363,561)	2,408,748	(1,803,428)	39,078,101
Less accumulated depreciation	24,950,373	(1,007,181)	1,282,652	(1,401,255)	23,824,589
Net capital assets being depreciated	14,885,969	(356,380)	1,126,096	(402,173)	15,253,512
Net capital assets	\$ 15,969,356	\$ (356,380)	\$ 1,126,096	\$ (402,173)	\$ 16,336,899
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 13,500	\$ -	\$ -	\$ -	\$ 13,500
Construction in progress	29,460,074	(29,460,074)	8,682,119	-	8,682,119
Subtotal	29,473,574	(29,460,074)	8,682,119	-	8,695,619
Capital assets being depreciated:					
Land improvements	1,616,184	-	-	-	1,616,184
Water and sewer distribution systems	10,307,807	29,460,074	1,202,602	-	40,970,483
Treatment facilities	11,887,343	-	-	-	11,887,343
Buildings and building improvements	8,798,639	1,242,940	-	-	10,041,579
Machinery and equipment	940,737	120,621	195,817	(88,368)	1,168,807
Subtotal	33,550,710	30,823,635	1,398,419	(88,368)	65,684,396
Less accumulated depreciation	11,498,403	1,007,181	1,215,291	(79,329)	13,641,546
Net capital assets being depreciated	22,052,307	29,816,454	183,128	(9,039)	52,042,850
Net capital assets	\$ 51,525,881	\$ 356,380	\$ 8,865,247	\$ (9,039)	\$ 60,738,469

Note 5 - Capital Assets (Continued)

Assets totaling \$356,380, net of accumulated depreciation of \$1,007,181, were donated to the Recreation Fund from the governmental funds. These assets are reported as capital contributions on the Proprietary Funds statement of revenue, expenses, and changes in net assets.

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 427,592
Public safety	77,734
Public works	1,073
Recreation and culture	346,062
Internal Service Fund depreciation is charged to the various function based on their usage of the asset	<u>430,191</u>

Total governmental activities	<u>\$ 1,282,652</u>
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Business-type activities:

Water and sewer	\$ 673,380
Recreation	<u>541,911</u>

Total business-type activities	<u>\$ 1,215,291</u>
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Note 6 - Interfund Transfers

The composition of interfund transfers at the fund level is as follows:

	Transfers Out			
	Other			Total
	General Fund	Governmental Funds	Business-type Activities	
Transfers in:				
General Fund	\$ -	\$ 157,720	\$ -	\$ 157,720
Other governmental funds	694,488	211,897	20,000	926,385
Business-type activities	202,865	-	-	202,865
Internal Service Funds	<u>951,266</u>	<u>-</u>	<u>30,000</u>	<u>981,266</u>
Total	<u>\$ 1,848,619</u>	<u>\$ 369,617</u>	<u>\$ 50,000</u>	<u>\$ 2,268,236</u>

Note 6 - Interfund Transfers (Continued)

Transfers between the various funds represent payment from one fund to another without an equivalent return of goods or services to fund operations and projects accounted for in the respective funds.

Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government.

Long-term obligation activity can be summarized as follows:

	Maturing Through	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental activities:							
General obligation unlimited tax bonds - Library Bonds - Amount of issue - \$4,000,000	2013	3.900% - 5.875%	\$200,000 - \$500,000	\$ 3,600,000	\$ (200,000)	\$ 3,400,000	\$ 200,000
Installment purchase agreements:							
District Court (see Note 12) - Amount of issue - \$340,000 (City's estimated share)	2006	4.7%	varies	227,356	(15,685)	211,671	16,436
Office furniture - Amount of issue - \$58,900	2003	4.6%	\$12,870	12,870	(12,870)	-	-
Vehicle and computer equipment - Amount of issue - \$1,551,952, paid monthly	2005	4.969%	\$27,621 - \$29,025	690,820	(315,331)	375,489	339,102
Total installment purchase agreements				931,046	(343,886)	587,160	355,538
Other long-term obligations:							
Compensated absences				2,206,041	263,157	2,469,198	801,340
Uninsured claims				400,000	-	400,000	400,000
Total other long-term obligations				2,606,041	263,157	2,869,198	1,201,340
Total governmental activities				7,137,087	(280,729)	6,856,358	1,756,878
Business-type activities:							
General obligation bonds:							
Water and Sewer Fund Contractual Obligation - Related to Grosse Ile/Trenton Utilities Authority Bonds, Series B - Amount of issue - \$1,999,850	2018	4.20% - 6.25%	\$63,825 - \$148,925	1,872,200	(63,825)	1,808,375	74,463
State Revolving Fund Limited Tax Bonds - Program 5127-01 - Amount of issue - \$12,095,000	2021	2.5%	\$485,000 - \$760,000	11,625,000	(485,000)	11,140,000	495,000
State Revolving Fund Limited Tax Bonds - Program 5127-02 - Amount of issue - \$16,535,000	2022	2.5%	\$645,000 - \$1,035,000	16,535,000	(645,000)	15,890,000	660,000
State Revolving Fund Limited Tax Bonds - Program 5127-03 - Amount of issue - \$1,005,000	2024	2.5%	\$40,000 - \$65,000	1,005,000	-	1,005,000	40,000
State Revolving Fund Limited Tax Bonds - Program 5127-04 - Amount of issue - \$10,325,000	2024	2.5%	\$405,000 - \$650,000	-	10,325,000	10,325,000	-
Building Authority Bonds - Amount of issue - \$8,000,000	2022	5.125% - 5.625%	\$100,000 - \$650,000	8,000,000	(100,000)	7,900,000	200,000
Total bond obligations				39,037,200	9,031,175	48,068,375	1,469,463

Note 7 - Long-term Debt (Continued)

	Maturing Through	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Business-type activities (Continued):							
General obligation bonds (Continued):							
Other long-term obligations:							
Advance from General Fund*		5.125% -					
Amount of issue - \$1,000,000	2022	5.625%	Varies	\$ 1,000,000	\$ -	\$ 1,000,000	\$ 77,945
Compensated absences				246,311	84,381	330,692	103,370
Total other long-term liabilities				1,246,311	84,381	1,330,692	181,315
Total business-type activities**				40,283,511	9,115,556	49,399,067	1,650,778
Total governmental activities and business-type activities				\$ 47,420,598	\$ 8,834,827	\$ 56,255,425	\$ 3,407,656
Component units:							
General obligation limited tax bonds - Downtown							
Development Authority Bonds		3.8% -	\$25,000 -				
Amount of issue - \$1,400,000	2023	5.5%	\$100,000	1,400,000	-	1,400,000	25,000
Other long-term obligations - Brownfield Authority							
Advance from General Fund			\$21,829 -				
Amount of issue - \$135,000	2008	2.0%	\$23,628	135,000	(21,401)	113,599	21,829
Total component units				\$ 1,535,000	\$ (21,401)	\$ 1,513,599	\$ 46,829

* The interest rate on the advance will be reduced to the average interest rate earned by the City whenever it is lower than the stated rate. Additionally, the maturity of this obligation may be affected by the operating results of the Recreation Fund.

** Business-type activities long-term debt of \$49,399,067 includes \$648,375 of current liabilities payable from restricted assets (see Note 4).

Approximately 36.5 percent of the installment purchase agreement for vehicle and computer equipment relates to the acquisition of computer equipment on behalf of the Shared Information Network Consortium (S.I.N.C.), a Special Revenue Fund. The City expects that this percentage of the debt service will be provided by S.I.N.C. The consortium, which is essentially a cost-sharing arrangement between six communities including the City, will provide computer services to its member communities' law enforcement agencies. The consortium expects to obtain its required operating revenue from funds obtained from the District Court's technology fund. Any costs not covered by the technology fund will be funded by the participating communities.

The compensated absences liability represents the estimated liability to be paid to employees under the City's sick and vacation pay policy. Under the City's policy, employees earn sick and vacation time based on time of service with the City.

Note 7 - Long-term Debt (Continued)

The Water and Sewer Contractual Obligation represents the City's obligation to service a portion of a \$4,700,000 bond issued by the Grosse Ile - Trenton Utilities Authority representing the percentage of the total bond proceeds that was disbursed to the City for system construction projects. The City's transactions with the Authority are limited to the issuance and repayment of this obligation (see Note 12).

The Downtown Development Authority Bonds represent monies to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the district. The City has pledged its full faith and credit in support of this obligation. The long-term advance from the General Fund to the Recreation Fund represents monies advanced to cover a portion of the costs associated with constructing the new Kennedy Recreation Center. The advance is to be repaid, with interest, from available operating revenues of the Recreation Fund.

The long-term advance from the General Fund to the Brownfield Authority represents monies advanced to cover a portion of the costs associated with long-term redevelopment and remediation of environmentally contaminated sites within the Brownfield District. The advance is to be repaid, with interest, from property taxes captured by the Brownfield Redevelopment Authority.

Annual debt service requirements, exclusive of compensated absences and uninsured claims to maturity for the above bonds and note obligations, are as follows:

	Governmental Activities			Business-type Activities			Component Units		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2004	\$ 555,538	\$ 170,267	\$ 725,805	\$ 1,547,408	\$ 1,373,858	\$ 2,921,266	\$ 46,829	\$ 67,185	\$ 114,014
2005	303,613	145,739	449,352	1,999,741	1,372,239	3,371,980	47,266	65,373	112,639
2006	428,009	127,010	555,019	2,047,137	1,314,237	3,361,374	47,711	63,553	111,264
2007	300,000	106,200	406,200	2,143,935	1,256,048	3,399,983	48,165	61,724	109,889
2008	350,000	91,975	441,975	2,240,772	1,194,036	3,434,808	73,628	59,198	132,826
2009-2013	2,050,000	216,138	2,266,138	12,361,784	4,934,280	17,296,064	300,000	256,749	556,749
2014-2018	-	-	-	14,167,598	2,930,478	17,098,076	450,000	176,987	626,987
2019-2023	-	-	-	11,910,000	782,798	12,692,798	500,000	61,700	561,700
2024-2028	-	-	-	650,000	8,125	658,125	-	-	-
Total	<u>\$ 3,987,160</u>	<u>\$ 857,329</u>	<u>\$ 4,844,489</u>	<u>\$ 49,068,375</u>	<u>\$ 15,166,099</u>	<u>\$ 64,234,474</u>	<u>\$ 1,513,599</u>	<u>\$ 812,469</u>	<u>\$ 2,326,068</u>

Total interest expense incurred by the City for the year approximated \$1,432,000, including approximately \$344,000 of interest (net of approximately \$2,700 of interest income) capitalized in business-type activities.

Note 7 - Long-term Debt (Continued)

The General Obligation Limited Tax Bonds accrue interest only on the amount drawn down to date; therefore, the annual debt service requirements for interest expense assumes the City will draw down the entire amount of the total \$39,960,000 original balance of the General Obligation Limited Tax Bonds at the beginning of the next fiscal year. The actual amount of interest and principal paid may be less.

Subsequent to June 30, 2003, the City obtained additional State Revolving Fund General Obligation Limited Tax Bonds in the amount of \$1,990,000 to fund costs associated with Administrative Consent Order (see Note 13).

In addition, subsequent to June 30, 2003, the Downtown Development Authority issued General Obligation Limited Tax Bonds in the amount of \$920,000.

Note 8 - Property Taxes

Property taxes for the City are comprised of the following components:

	General Fund			Special Revenue Fund	Enterprise Fund	
	Firemen and Policemen Pension Plan	Solid Waste	Operating	Library Operating and Library Debt	Sewer Debt	Total
Millage rate	0.87	1.22	15.99	0.81	2.11	21.00
Total	\$ 691,914	\$ 970,270	\$ 12,821,128	\$ 651,569	\$ 1,689,907	\$ 16,824,788

The firemen and policemen pension plan, solid waste, library operating and debt service, and sewer debt mills were approved specifically for the use in funding a pension plan, providing particular services by the City, and funding certain debt service requirements. To the extent that property taxes levied for sewer debt exceeded the related debt service expenditures, the revenue has been included in restricted assets of the Water and Sewer Fund and net assets have been restricted.

Note 9 - Postemployment Benefits

The City provides life insurance and health care benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently, 173 retirees are eligible. The City includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participant. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health care and life insurance benefits are recognized as the insurance premiums become due. These benefits totaled approximately \$1,568,000 for the year ended June 30, 2003.

Note 10 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City participates in the Michigan Municipal League (risk pool) for claims relating to property loss, general liability, and workers' compensation. The City has also assumed a significant amount of financial responsibility for its actual incurred medical claims cost, subject to certain insured aggregate limitations.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The City estimates the liability for medical and other claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are generally recorded in the Self-insurance Internal Service Fund. Changes in the estimated liability are as follows:

	2003	2002
Estimated liability - Beginning of year	\$ 777,585	\$ 330,158
Estimated claims incurred, including charges in estimates and related administrative costs	2,973,237	2,975,442
Claim and related administrative payments	(2,960,695)	(2,528,015)
Estimated liability - End of year	<u>\$ 790,127</u>	<u>\$ 777,585</u>

Note 10 - Risk Management (Continued)

A total of \$400,000 of the estimated liability has been recorded in long-term debt (see Note 7). The remaining liability represents the accrual for claims incurred but not reported and is recorded in accrued and other liabilities.

Note 11 - Pension Plans

Defined Benefit Plans Descriptions

Michigan Municipal Employees' Retirement System - The City participates in the Michigan Municipal Employees' Retirement System (MMERS), an agent multiple-employer defined benefit pension plan that covers all employees of the City hired before January 1, 1996, other than firemen and policemen. The MMERS provides retirement, disability, and death benefits to plan members and their beneficiaries. The MMERS issues a publicly available financial report that includes financial statements and required supplementary information for the MMERS. That report may be obtained by writing to the MMERS at 1134 Municipal Way, Lansing, MI 48917.

Firemen and Policemen Retirement System - The City contributes to the Firemen and Policemen Retirement System, which is the administrator of a single-employer public benefit pension plan that currently covers substantially all full-time fire and police employees hired before January 1, 1996. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At June 30, 2002, the date of the most recent actuarial valuation, membership consisted of 90 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 69 current active employees. The plan does not issue a separate financial report.

Defined Benefit Contributions and Funding Status

Firemen and Policemen Retirement System - Contributions - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees of 5 percent. Administrative costs of the plan are financed through investment earnings.

Note 11 - Pension Plans (Continued)

Michigan Municipal Employees' Retirement System - Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees of approximately 3 percent to 5 percent. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

Defined Benefit Annual Pension Cost

For the year ended June 30, 2003, the City's annual pension cost of \$471,761 for the MMERS plan, exclusive of \$181,799 of employee contributions, was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2000, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, (c) additional projected salary increases of 0 percent to 4.16 percent per year, attributable to seniority/merit, and (d) postretirement benefit increases of 2.5 percent annually, limited cumulative to increases in the Consumer Price Index. Both (a) and (b) include an inflation component of 4.5 percent.

The actuarial value of assets was determined on the basis of a valuation method that uses techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll determined using the individual attained age actuarial funding method over an open amortization period of 30 years.

For the year ended June 30, 2003, the City's annual fire and police pension fund's pension cost for the plan and its actual contribution, exclusive of \$214,821 of employee contributions, were equal to the City's \$695,508 required contribution. The annual required contribution was determined as part of an actuarial valuation at June 30, 2001, using the aggregate actuarial cost method. Significant actuarial assumptions used include (a) an 8.5 percent investment rate of return per year through 2005, graded to 7.0 percent at 13 years and thereafter, (b) projected salary increases of 4.0 percent per year, (c) additional projected salary increases of .2 percent to 2.3 percent per year, attributable to seniority/merit, and (d) postretirement benefit increases of 10 percent after 5 years, 10 percent after 10 years, and 5 percent after 15 years. Both (a) and (b) include an inflation component of 4.0 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 10 years at June 30, 2003.

Note 11 - Pension Plans (Continued)

Reserves - As of June 30, 2003, the Firemen and Policemen Retirement System plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 3,122,531
Reserve for retired benefit payments	24,198,478

Three-year trend information is as follows:

	Fiscal Year Ended December 31		
	2001	2002	2003
General Employees' Retirement System:			
Annual pension costs (APC)	\$ 593,553	\$ 490,043	\$ 471,761
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
Police and Fire Retirement System:			
Annual pension costs (APC)	\$ 640,555	\$ 741,372	\$ 695,508
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Defined Contribution Pension Plans

Full-time employees hired after January 1, 1996 (except the AFSCME Local 292, for which the effective date was July 1, 1996) do not become members of either of the two defined benefit pension plans discussed above. Rather, they participate in one of the City's defined contribution plans: the General Employees' Money Purchase Plan ("General Employees Plan") and the City of Trenton Fire Fighters and Police Officers Money Purchase Plan ("Fire Fighters and Police Officers Plan"). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

As established by various employee competitive bargaining units, the City contributes 6 percent and 12 percent of employees' gross earnings for the General Employees' Plan and Fire Fighters and Police Officers Plan, respectively, and the employees contribute 6 percent of earnings for both plans. The City's contributions for each employee plus interest allocated to the employee's account are fully vested after five years of service.

Note 11 - Pension Plans (Continued)

In accordance with these requirements, the City contributed \$131,559 and \$87,927 during the current year and the employees contributed \$131,559 and \$43,963 during the current year for the General Employees' Plan and Fire Fighters and Police Officers Plan, respectively. The plans' assets, which aggregated \$946,235 at June 30, 2003, are held by an independent third-party administrator.

Note 12 - Joint Ventures

33rd District Court System

The City is a member of the 33rd District Court System (the "District Court"), which provides judicial services to the City and various other surrounding communities. The City appoints one member to the joint venture's governing board, which then approves the annual budget.

During the current year, the City paid approximately \$9,000 to the District Court, representing the City's share of the District Court's net activity. Complete financial statements are available at the City offices. The District Court receives its operating revenue principally through contributions from member communities.

The City and various other surrounding communities have previously entered into an Installment Purchase Agreement with a bank on behalf of the District Court. The communities collectively agreed to finance the construction of an addition to the District Court for a total cost of \$2,000,000, with interest and principal payments on the related installment obligation payable through June 30, 2006.

The intention of the District Court is to make the monthly interest and principal payments on behalf of the communities. In the event payment of principal or interest is not received by the bank when due, each community will be responsible for its share.

For each community, the share is the percentage of the total amount of any payment due equal to a fraction, the numerator of which is the total cases handled by the District Court for that community from January 1 to December 31 of the year immediately preceding the year in which the payment is due, the denominator of which is the total number of cases handled by the District Court for the same time period. The share for the City through June 30, 2003 is approximately 19 percent. The City's share of the future principal and interest payments for the District Court debt is estimated based on this calculated percentage. Principal and interest payments made by the District Court on the City's behalf during the year approximated \$29,000.

Note 12 - Joint Ventures (Continued)

The District Court has set aside certain funds of the City in anticipation of its future debt requirements. The City has not recorded these amounts held by the District Court since it is not anticipated that they will be made available currently nor can they be used for purposes other than debt retirement.

Grosse Ile-Trenton Utilities Authority

The City is also a member of the Grosse Ile-Trenton Utilities Authority (the "Authority") joint venture. The Authority's governing board is composed of two appointees, one from each member of the joint venture. The Authority was established in order to provide an efficient means of acquiring and constructing water supply and sewage disposal systems and to extend use privileges to each other's residents where deemed appropriate by the communities.

Note 13 - Commitment

The City is currently under an Administrative Consent Order (A.C.O.) by the State of Michigan to eliminate sanitary sewer overflows to the Detroit River. This is estimated to be a 10-year project to evaluate the entire system, identify the deficiencies, and to develop corrective plans for construction. At this time, it is estimated that costs of construction and rehabilitation to the system will be approximately \$47,000,000. The City has currently obtained State Revolving Fund General Obligation Limited Tax Bonds totaling \$39,960,000 to fund the costs associated with this project. See Note 7 for further details regarding these obligations. This project is currently in process, and the City has incurred approximately \$38,142,000 of related construction expenditures through June 30, 2003.

Note 14 - Accounting and Reporting Change

GASB No. 34

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The City has applied the provisions of the statement in the accompanying financial statements (including notes to the financial statements). The City has elected to implement both the general provisions of the statement and the retroactive reporting of the infrastructure in the current year. Certain significant changes in the statement include the following:

Note 14 - Accounting and Reporting Change (Continued)

- A management's discussion and analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations
- Financial statements prepared using full accrual accounting for all of the City's activities, including infrastructure (roads, sidewalks, etc.)
- A change in the fund financial statements to increase focus on the major funds
- Capital assets in the governmental activities column of the statement of net assets includes infrastructure and land assets (roads, sidewalks, etc.) not previously accounted for by the City. These assets total \$4,506,881, net of accumulated depreciation at July 1, 2002.
- Capital assets at July 1, 2002 previously reported in the General Fixed Assets Account Group have been adjusted to reflect historical cost of the City's capital assets at that date. The total recorded value of assets previously recorded in the General Fixed Assets Account Group is \$8,498,388, net of accumulated depreciation.
- Bonds and other long-term obligations totaling \$6,484,329 at July 1, 2002, previously reported in the Long-term Debt Account Group, have been recorded on the entity-wide statement of net assets in governmental activities.
- The activity from the Internal Service Funds has been reported as part of the governmental activities.

Note 14 - Accounting and Reporting Change (Continued)

The following is a reconciliation of fund balances on a modified accrual basis to net assets, which are determined using the full accrual basis of accounting:

Governmental activities fund balances	\$ 16,294,288
Capital assets previously reported in the General Fixed Assets Account Group - Net of accumulated depreciation	8,498,388
Capital assets (infrastructure) not previously accounted for by the City - Net of accumulated depreciation	4,506,881
Compensated absences previously reported in the General Long-term Debt Account Group	(1,553,283)
Long-term debt previously reported in the General Long-term Debt Account Group	<u>(4,931,046)</u>
Governmental activities net assets - June 30, 2002	<u>\$ 22,815,228</u>
Component units fund balances	\$ 1,704,205
Long-term debt previously reported in the component units Long-term Debt Account Group	(1,535,000)
Deferred revenue recognized as revenue	<u>68,356</u>
Component units net assets - June 30, 2002	<u>\$ 237,561</u>

GASB Interpretation No. 6

The Governmental Accounting Standards Board (GASB) issued Interpretation No. 6, which allows for the recording of a liability only if a triggering event has happened before year end that would cause a liability to the City, such as a retirement or termination of an employee who is then entitled to payout of their sick and vacation balances. This interpretation resulted in the following changes to the General Fund's fund balance as of the beginning of the year:

General Fund fund balance, as previously reported	\$ 7,431,361
Compensated absences previously recorded in the General Fund	<u>576,173</u>
General Fund fund balance - June 30, 2002 - As restated	<u>\$ 8,007,534</u>

Note 14 - Accounting and Reporting Change (Continued)

The General Fund's previously reported excess of revenue over expenditures for the year ended June 30, 2002 was overstated by \$46,725 as a result of this restatement.

Required Supplemental Information

City of Trenton, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2003

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year - As restated	\$ 8,007,534	\$ 8,007,534	\$ 8,007,534	\$ -
Resources (Inflows)				
Property taxes	14,442,217	14,442,217	14,483,312	41,095
Licenses and permits	281,450	281,450	380,888	99,438
State sources	2,738,629	2,738,629	2,521,737	(216,892)
Charges for services	528,275	528,275	635,946	107,671
Fines and forfeitures	301,000	301,000	380,024	79,024
Interest income	500,000	500,000	256,172	(243,828)
Other	98,700	98,700	307,232	208,532
Transfer from other funds	157,720	157,720	157,720	-
Amounts available for appropriation	19,047,991	19,047,991	19,123,031	75,040
Charges to Appropriations (Outflows)				
General government:				
Mayor and Council	111,750	111,750	96,900	14,850
District Court	350,000	381,278	385,476	(4,198)
City Administrator	302,641	344,191	309,470	34,721
City Clerk - Elections	46,157	46,157	30,049	16,108
City Assessor	176,356	176,356	173,472	2,884
City Attorney	155,000	155,000	158,868	(3,868)
City Clerk - General	184,910	184,910	163,501	21,409
City Controller	252,855	252,855	252,772	83
Tax Review Board	1,962	1,962	1,430	532
City Treasurer	153,103	153,103	147,047	6,056
Municipal building	1,293,647	1,293,647	1,309,179	(15,532)
Cemeteries	30,922	30,922	9,429	21,493
Planning Commission	13,982	13,982	13,861	121
Zoning Board of Appeals	1,268	1,268	970	298
Building Board of Appeals	390	390	40	350
Central Office	212,000	212,000	206,710	5,290
Total general government	3,286,943	3,359,771	3,259,174	100,597
Public safety:				
Police department	4,127,361	4,085,945	4,033,774	52,171
Traffic Safety Commission	1,150	1,150	697	453
Fire department	3,078,294	3,078,294	2,951,129	127,165
Emergency	140,402	140,402	131,731	8,671
Corrections department/jail	48,500	48,500	49,819	(1,319)
Building inspection	363,762	363,762	371,057	(7,295)
Civil defense	18,879	18,879	17,384	1,495
Crossing guards	64,000	64,000	63,421	579
Total public safety	7,842,348	7,800,932	7,619,012	181,920

Note - The above General Fund charges to appropriations (outflows) - budget and actual is for additional information only, and represents greater detail than the adopted budget, except for department totals.

City of Trenton, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2003

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Charges to Appropriations (Outflows) (Continued)				
Public works:				
Department of Public Works	\$ 1,128,579	\$ 1,128,579	\$ 953,404	\$ 175,175
City engineer	449,969	449,969	452,795	(2,826)
Street lighting	657,200	657,200	572,167	85,033
Sanitation	944,717	944,717	1,008,759	(64,042)
Protection to animals	50,300	50,300	39,700	10,600
Total public works	3,230,765	3,230,765	3,026,825	203,940
Health and welfare - Environmental Control Commission	500	500	310	190
Culture and recreation:				
Parks department	576,621	576,621	546,893	29,728
Historical Commission	3,635	3,635	4,093	(458)
Library Commission	500	500	340	160
Cultural Commission	2,700	2,700	3,064	(364)
Recreation Commission	800	800	-	800
Civic Commission	12,500	12,500	12,359	141
Beautification Commission	2,460	2,460	1,297	1,163
Total culture and recreation	599,216	599,216	568,046	31,170
Other	2,045,223	2,003,385	1,877,096	126,289
Debt service	260,541	260,541	217,384	43,157
Transfers to other funds	1,834,131	1,834,131	1,848,619	(14,488)
Total charges to appropriations	19,099,667	19,089,241	18,416,466	672,775
Fund Balance - End of year	\$ 7,955,858	\$ 7,966,284	\$ 8,714,099	\$ 747,815

Note - The above General Fund charges to appropriations (outflows) - budget and actual is for additional information only, and represents greater detail than the adopted budget, except for department totals.

City of Trenton, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress (a) June 30, 2003

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll	
<u>General Employees' Retirement System</u>							
12/31/96	\$ 17,208,546	\$ 24,543,213	\$ 7,334,667	70%	\$ 4,180,802	175%	
12/31/97	18,970,232	24,999,114	6,028,882	76%	4,105,856	147%	
12/31/98	21,186,489	26,063,427	4,876,938	81%	4,000,930	122%	
12/31/99	24,035,756	27,506,741	3,470,985	87%	3,936,760	88%	
12/31/00	26,010,740	31,676,602	5,665,862	82%	4,168,484	136%	
12/31/01	27,322,614	32,777,578	5,454,964	83%	4,031,446	135%	
12/31/02	27,303,494	33,618,861	6,315,367	81%	3,783,905	167%	
<u>Police and Fire Retirement System</u>							
6/30/96	(1) \$ 31,060,931	\$ 35,116,179	\$ 4,055,248	88%	\$ 4,376,296	93%	
6/30/97		33,527,612	36,120,482	2,592,870	93%	4,131,532	63%
6/30/98		37,852,508	37,621,461	(231,047)	101%	4,244,194	-5%
6/30/99	(2)	41,705,805	41,705,805	-	100%	4,249,463	0%
6/30/00	(3)	44,798,847	44,798,847	-	100%	4,656,993	0%
6/30/01		46,679,422	46,679,422	-	100%	4,606,237	0%
6/30/02		46,492,395	46,492,395	-	100%	4,521,806	0%

(1) Retirement System was amended

(2) Change to aggregate funding method

(3) Revised actuarial assumptions or methods

(a) Required by Governmental Accounting Standards Board Statement No. 25

City of Trenton, Michigan

Required Supplemental Information Pension System Schedule of Employer Contributions June 30, 2003

General Employees' Retirement System

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
06/30/97	12/31/94	\$ 683,676	100
06/30/98	12/31/95	762,236	100
06/30/99	12/31/96	792,458	100
06/30/00	12/31/97	622,615	100
06/30/01	12/31/98	593,553	100
06/30/02	12/31/99	490,043	100
06/30/03	12/31/00	471,761	100

Police and Fire Retirement System

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
06/30/97	06/30/95	\$ 856,044	100
06/30/98	06/30/96	1,164,900	100
06/30/99	06/30/97	1,018,776	100
06/30/00	06/30/98	857,580	100
06/30/01	06/30/99	640,555	100
06/30/02	06/30/00	741,372	100
06/30/03	06/30/01	695,508	100

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2002, the latest actuarial valuation for the General Employees' Retirement System, and June 30, 2002, the latest actuarial valuation for the Firemen and Policemen Retirement System, is as follows:

General Employees' Retirement System

Actuarial cost method	Entry age
Amortization method	Level over future working lifetime
Amortization period (perpetual)	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases*	4.5% - 8.66%
*Includes inflation at	4.5%
Cost of living adjustments	None

Police and Fire Retirement System

Actuarial cost method	Aggregate actuarial cost method
Amortization method	Level over future working lifetime
Remaining amortization period	10 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return*	8.5% through 2005, graded to 7% at 13 years and thereafter
Projected salary increases*	4.2% - 6.3%
*Includes inflation at	4.0%
Postretirement benefit increases	10% after 5 years, 10% after 10 years, and 5% after 15 years

Other Supplemental Information

City of Trenton, Michigan

Special Revenue

	Major Roads	Local Roads	Community Development Block Grant	Severance Pay	Cable TV	Special Projects
Assets						
Receivables - Net	\$ 119,016	\$ 51,309	\$ 4,102	\$ -	\$ 93,502	\$ -
Due from other funds	<u>1,081,143</u>	<u>108,808</u>	<u>26,881</u>	<u>1,056,685</u>	<u>148,745</u>	<u>442,633</u>
Total assets	<u>\$ 1,200,159</u>	<u>\$ 160,117</u>	<u>\$ 30,983</u>	<u>\$ 1,056,685</u>	<u>\$ 242,247</u>	<u>\$ 442,633</u>
Liabilities and Fund Balances (Deficit)						
Liabilities						
Accounts payable	\$ 44,376	\$ 86,299	\$ 478	\$ -	\$ 1,826	\$ 34,386
Accrued and other liabilities	1,362	3,109	-	-	-	-
Due to other funds	-	-	-	-	-	-
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,409</u>	<u>-</u>
Total liabilities	45,738	89,408	478	-	81,235	34,386
Fund Balances (Deficit) - Unreserved and undesignated	<u>1,154,421</u>	<u>70,709</u>	<u>30,505</u>	<u>1,056,685</u>	<u>161,012</u>	<u>408,247</u>
Total liabilities and fund balances (deficit)	<u>\$ 1,200,159</u>	<u>\$ 160,117</u>	<u>\$ 30,983</u>	<u>\$ 1,056,685</u>	<u>\$ 242,247</u>	<u>\$ 442,633</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2003**

Funds

					Total Nonmajor Governmental Funds
Grant	Library	S.I.N.C.	S.M.I.L.E.S.	Capital Projects Fund	
\$ -	\$ 22,564	\$ 35,171	\$ -	\$ -	\$ 325,664
28,720	170,029	-	-	1,238,113	4,301,757
\$ 28,720	\$ 192,593	\$ 35,171	\$ -	\$ 1,238,113	\$ 4,627,421
\$ 5,379	\$ 38,976	\$ 2,053	\$ -	\$ 23,376	\$ 237,149
-	603	-	-	-	5,074
-	23,127	28,955	6,378	-	58,460
-	-	-	-	-	79,409
5,379	62,706	31,008	6,378	23,376	380,092
23,341	129,887	4,163	(6,378)	1,214,737	4,247,329
\$ 28,720	\$ 192,593	\$ 35,171	\$ -	\$ 1,238,113	\$ 4,627,421

City of Trenton, Michigan

	Special Revenue					
	Major Roads	Local Roads	Community Development Block Grant	Severance Pay	Cable TV	Special Projects
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal grants	-	-	-	-	-	-
State sources	689,095	307,666	-	-	-	-
Interest income	17,589	1,876	-	16,101	2,533	-
Other	-	-	10,803	-	260,948	294,656
Total revenue	706,684	309,542	10,803	16,101	263,481	294,656
Expenditures						
Current:						
Public works department	566,264	514,191	-	-	-	-
Culture and recreation	-	-	-	-	83,257	-
Special projects	-	-	5,632	-	-	247,862
Other	-	-	-	132,451	-	-
Debt service	-	-	-	-	-	-
Total expenditures	566,264	514,191	5,632	132,451	83,257	247,862
Excess of Revenue Over (Under) Expenditures	140,420	(204,649)	5,171	(116,350)	180,224	46,794
Other Financing Sources (Uses)						
Transfers in	-	171,897	-	200,000	-	-
Transfers out	(171,897)	(40,000)	-	-	(157,720)	-
Total other financing sources (uses)	(171,897)	131,897	-	200,000	(157,720)	-
Net Change in Fund Balances (Deficit)	(31,477)	(72,752)	5,171	83,650	22,504	46,794
Fund Balances (Deficit) - Beginning of year	1,185,898	143,461	25,334	973,035	138,508	361,453
Fund Balances (Deficit) - End of year	<u>\$ 1,154,421</u>	<u>\$ 70,709</u>	<u>\$ 30,505</u>	<u>\$ 1,056,685</u>	<u>\$ 161,012</u>	<u>\$ 408,247</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
In Fund Balances (Deficit) - Nonmajor Governmental Funds
Year Ended June 30, 2003

Funds					Total Nonmajor
Grant	Library	S.I.N.C.	S.M.I.L.E.S.	Capital Projects Fund	Governmental Funds
\$ -	\$ 651,569	\$ -	\$ -	\$ -	\$ 651,569
95,676	-	-	-	-	95,676
69,309	-	-	-	-	1,066,070
-	3,090	-	-	-	41,189
12,653	109,403	195,876	15,696	120,339	1,020,374
177,638	764,062	195,876	15,696	120,339	2,874,878
-	-	-	-	-	1,080,455
-	327,538	-	-	-	410,795
20,337	-	87,512	64,722	457,571	883,636
7	-	-	-	-	132,458
-	358,788	127,698	-	-	486,486
20,344	686,326	215,210	64,722	457,571	2,993,830
157,294	77,736	(19,334)	(49,026)	(337,232)	(118,952)
-	-	14,488	40,000	500,000	926,385
-	-	-	-	-	(369,617)
-	-	14,488	40,000	500,000	556,768
157,294	77,736	(4,846)	(9,026)	162,768	437,816
(133,953)	52,151	9,009	2,648	1,051,969	3,809,513
<u>\$ 23,341</u>	<u>\$ 129,887</u>	<u>\$ 4,163</u>	<u>\$ (6,378)</u>	<u>\$ 1,214,737</u>	<u>\$ 4,247,329</u>

City of Trenton, Michigan

Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2003

	Motor Vehicle Pool	Self- insurance	Totals
Assets			
Current assets:			
Cash and investments	\$ 50	\$ -	\$ 50
Prepaid costs and other assets	-	602,954	602,954
Due from other funds	710,709	2,514,558	3,225,267
Inventories	84,003	-	84,003
Total current assets	794,762	3,117,512	3,912,274
Noncurrent assets - Capital assets	2,571,714	-	2,571,714
Total assets	3,366,476	3,117,512	6,483,988
Liabilities			
Current liabilities:			
Accounts payable	52,193	139,969	192,162
Accrued liabilities	6,182	390,127	396,309
Current portion of compensated absences	28,846	-	28,846
Total current liabilities	87,221	530,096	617,317
Noncurrent liabilities - Provision for compensated absences	42,178	-	42,178
Total liabilities	129,399	530,096	659,495
Net Assets			
Invested in capital assets - Net of related debt	2,571,714	-	2,571,714
Reserved for postretirement health care fund	-	426,266	426,266
Unrestricted	665,363	2,161,150	2,826,513
Total net assets	<u>\$ 3,237,077</u>	<u>\$ 2,587,416</u>	<u>\$ 5,824,493</u>

City of Trenton, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changed in Net Assets Internal Service Funds Year Ended June 30, 2003

	Motor Vehicle Pool	Self- insurance	Totals
Operating Revenue			
Charges for services	\$ 1,027,911	\$ 2,940,000	\$ 3,967,911
Other	<u>-</u>	<u>11,642</u>	<u>11,642</u>
Total operating revenue	1,027,911	2,951,642	3,979,553
Operating Expenses			
Insurance, claims, and other	-	2,973,237	2,973,237
General and administrative expenses	952,755	-	952,755
Depreciation	<u>430,191</u>	<u>-</u>	<u>430,191</u>
Total operating expenses	<u>1,382,946</u>	<u>2,973,237</u>	<u>4,356,183</u>
Operating Loss	(355,035)	(21,595)	(376,630)
Nonoperating Income			
Net interest income	15,555	37,407	52,962
Gain on sale of capital assets	<u>8,018</u>	<u>-</u>	<u>8,018</u>
Total nonoperating revenue	<u>23,573</u>	<u>37,407</u>	<u>60,980</u>
Income (Loss) - Before transfers and contributions	(331,462)	15,812	(315,650)
Capital Contributions	105,463	-	105,463
Transfers from Other Funds	<u>-</u>	<u>981,266</u>	<u>981,266</u>
Net Income (Loss)	(225,999)	997,078	771,079
Net Assets - Beginning of year	<u>3,463,076</u>	<u>1,590,338</u>	<u>5,053,414</u>
Net Assets - End of year	<u><u>\$ 3,237,077</u></u>	<u><u>\$ 2,587,416</u></u>	<u><u>\$ 5,824,493</u></u>

City of Trenton, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2003

	Motor Vehicle Pool	Self- insurance	Totals
Cash Flows from Operating Activities			
Receipts from customers	\$ 1,027,911	\$ -	\$ 1,027,911
Charges for services	-	2,940,000	2,940,000
Payments to suppliers	(556,832)	-	(556,832)
Claims paid	-	(3,658,247)	(3,658,247)
Payments to employees	(455,083)	-	(455,083)
Other receipts	-	11,642	11,642
Net cash provided by (used in) operating activities	15,996	(706,605)	(690,609)
Cash Flows from Investing Activities			
Interest received on investments and other assets	15,555	37,407	52,962
Cash received from (paid to) General Cash Fund	249,166	(312,068)	(62,902)
Net cash provided by (used in) investing activities	264,721	(274,661)	(9,940)
Cash Flows from Noncapital Financing Activities - Operating transfers in	-	981,266	981,266
Cash Flows from Capital and Related Financing Activities			
Purchase of capital assets	(305,147)	-	(305,147)
Proceeds from sale of assets	24,430	-	24,430
Net cash used in capital and related financing activities	(280,717)	-	(280,717)
Net Change in Cash and Cash Equivalents	-	-	-
Cash and Cash Equivalents - July 1, 2002	50	-	50
Cash and Cash Equivalents - June 30, 2003	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ 50</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (355,035)	\$ (21,595)	\$ (376,630)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation	430,191	-	430,191
Changes in assets and liabilities:			
Prepaid costs and other assets	-	(602,954)	(602,954)
Accounts payable	(53,715)	(116,960)	(170,675)
Accrued and other liabilities	(5,445)	34,904	29,459
Net cash provided by (used in) operating activities	<u>\$ 15,996</u>	<u>\$ (706,605)</u>	<u>\$ (690,609)</u>

Noncash Investing, Capital and Financing Activities - During the year ended June 30, 2003, other funds of the City purchased vehicles and equipment totaling \$105,463 and donated them to the Motor Vehicle Pool Fund.

City of Trenton, Michigan

	Pension Trust Funds		Agency Funds		
	Police and Fire Retirement System	General Cash Fund	Escrow Fund	Wayne County and School Tax Fund	Subtotals
Assets					
Cash and investments	\$ 39,829,553	\$ 19,901,500	\$ -	\$ -	\$ 19,901,500
Receivables	152,032	-	-	-	-
Due from other funds	-	1,138,021	101,626	-	1,239,647
Total assets	<u>\$ 39,981,585</u>	<u>\$ 21,039,521</u>	<u>\$ 101,626</u>	<u>\$ -</u>	<u>\$ 21,141,147</u>
Liabilities and Fund Balance					
Liabilities					
Accrued and other liabilities	\$ -	\$ 65,427	\$ -	\$ -	\$ 65,427
Due to other governmental units	-	1,589	-	-	1,589
Due to other funds	-	19,390,524	-	-	19,390,524
Due to component units	-	1,581,981	-	-	1,581,981
Cash bonds and deposits	-	-	101,626	-	101,626
Total liabilities	-	21,039,521	101,626	-	21,141,147
Fund Balance - Held in trust for pension and other employee benefits					
	<u>39,981,585</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 39,981,585</u>	<u>\$ 21,039,521</u>	<u>\$ 101,626</u>	<u>\$ -</u>	<u>\$ 21,141,147</u>

**Other Supplemental Information
Combining Balance Sheet
Fiduciary Funds
June 30, 2003**

Eliminations	Totals
<hr/>	
\$ (19,732,858)	\$ 168,642
-	-
(1,239,647)	-
<u>\$ (20,972,505)</u>	<u>\$ 168,642</u>
\$ -	\$ 65,427
-	1,589
(19,390,524)	-
(1,581,981)	-
-	101,626
<u>-</u>	<u>101,626</u>
(20,972,505)	168,642
<u>-</u>	<u>-</u>
<u>\$ (20,972,505)</u>	<u>\$ 168,642</u>